

TO: Alaska Oil and Gas Competitiveness Review Board

FROM: Pete Stokes, Kara Moriarty and Commissioner Randy Hoffbeck
Fiscal/Tax Regime Committee

DATE: July 10, 2015

Subject: Work Plan to Compare Competitiveness of Alaska's Fiscal and Oil and Tax Regimes to our Peers

Charge

The Oil and Gas Competitiveness Review Board (O&GCRB) was charged to make written findings and recommendations to the Alaska State Legislature regarding, among others, "the competitiveness of the state's fiscal and oil and gas tax regime when compared to other regions of the world." Originally required by January 2015 or as soon as practicable, the report is now planned to be delivered by January 2016. An O&GCRB Fiscal Committee was established including Pete Stokes, Kara Moriarty and Commissioner Randy Hoffbeck.

O&GCRB Fiscal Committee Scope of Plan

1) Update information about Alaska's current oil and gas fiscal system

The Fiscal/Tax Regime Committee will be updating Chapter 8 of the January 2015 report, if necessary, which summarized the elements of the current Alaska's oil and gas fiscal system.

2) Analysis and Recommendation of Competitiveness, Peer Group and Full Life Cycle Analysis

There will be an update of the fiscal systems comparisons in Chapter 9 of the January 2015 report, focusing on an element that has been the past focus of Alaska's fiscal system - company and government take. From the companies' perspective, companies are blind to land ownership and type of government, so that "government-take" and ownership payment might be looked at as a single cost. However, from the point of view of the governments (federal, state, municipal), which government receives the take is important. Also, for the State of Alaska, its take as a sovereign is distinguished from its take as a land owner. The latter has been relatively unchanged since the inception of North Slope production, and can be individualized to specific project developments. The utility of government take as an indicator, as well as how it has been used within Alaska as an indicator, will be discussed.

Other company-based indicators, such as NPV and IRR and per barrel F&D Costs, will also be discussed, both in terms of their utility, as well as how they have been used in Alaska fiscal discussions in the past. Existing DOR and Administration contractor economic models shall be reviewed and results may be compared, or expanded. A review will be conducted of commercially available comparisons of Alaska to other jurisdictions to determine if these types of reports or analyses should be acquired by the State.

3) Risk Comparison

A risk matrix will be presented comparing Alaska to its peers. This will include, but not be limited to a discussion of geologic, fiscal, regulatory and cost risk. This will include a discussion of finding and development costs for Alaska and the Peer Group and how this impacts competition for investment.

The work will be completed by DOR Tax Division's Economic Research Group, with monthly update meetings with the O&GCRB Fiscal Committee.